

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3997

July 20, 2006

R E S O L U T I O N

Resolution E-3997. Golden State Water Company submits an Advice Letter to implement the Military Family Relief Program and Memorandum Account applicable to its Bear Valley Electric Service operations as result of passage of Assembly Bill 1666, the California Military Families Financial Relief Act of 2005. Approved with modifications.

By Advice Letter 212-E filed on March 24, 2006.

SUMMARY

Golden State Water Company's (GSW) request to establish the Military Family Relief Program and to record the costs of administering the program in its proposed Military Family Relief Program Memorandum Account (MFRPMA) for its Bear Valley Electric Service (BVES) operations is approved with the following modifications:

- GSW shall establish two subaccounts in its proposed MFRPMA; one subaccount shall track program-related administrative expenses, the other subaccount shall track program-qualified uncollectible billing costs.
- The subaccount tracking uncollectible billing costs shall include a mechanism or calculation illustrating how the amounts recorded in this subaccount is specifically related to the Military Family Relief Program.
- The MFRPMA will remain in effect until a Commission decision in GSW's next general rate case (GRC).

GSW may recover in rates only those program-related administrative costs, and qualified uncollectible billing costs associated with GSW's Military Family Relief Program that the Commission approves for recovery after reviewing the amounts that GSW records in the MFRPMA.

BACKGROUND

On September 22, 2005, Governor Schwarzenegger signed Assembly Bill ("AB") 1666 into law which added the California Military Families Financial Relief Act of 2005 to the Military and Veterans Code.

AB 1666 added the California Military Families Financial Relief Act of 2005, Sections 820 to 828, to the Military and Veterans Code. Section 827 instructs all utilities including electric service providers to ensure continuation of service (protection against service shut-off due to non-payment of past-due balances) to military families and their dependents, if the qualified applicant is called to active duty. Section 827(j) of the Code states *"For public utilities regulated by the Public Utilities Commission, the commission shall allow recovery of reasonable costs incurred to implement this section."* Section 827 also does the following:

- Provides for qualified customers to apply for and receive an extension of utility service for 180 days in the event that the customer is called to full-time active military duty. The service provider may grant further extensions after the initial 180-day period.
- Specifies that qualified customers may apply for utility service shutoff protection by notifying the service provider that they need assistance due to a reduction in household income as the result of a qualified household member being called to active duty.
- Requires that notification of the need for assistance be submitted in writing and accompanied by a copy of the activation or deployment order (which specifies the duration of the active duty status) of the qualified customer. Written notification must also include self-certification that the household of the qualified customer will be occupied by the qualified customer's legal dependent or dependents during the length of the shutoff protection period. Qualified customers are required to notify the service provider if their active duty status is extended, or if they terminate service due to a change of address.
- Requires that service providers establish a repayment plan requiring minimum monthly payments allowing the qualified customer to remit past-due balances over a reasonable time period not to exceed one year after the program-qualified customer's release from active duty. No late

payment fees will be allowed to be charged by the service provider during this period.

- Emphasizes that this legislation does not void or limit the obligation of the qualified customer to pay for utility services during this time, and states that *“This section shall not affect or amend any rules or orders of the Public Utilities Commission pertaining to billing standards”*.

On March 21, 2006, GSW submitted to the Commission a revised Preliminary Statement which includes a proposed Part Q “Military Family Program Memorandum Account (MFRPMA)”. Additionally, GSW submitted proposed Rule 22 “Military Family Relief Program” to address this legislation.

GSW’s updated Preliminary Statement describes its proposed MFRPMA, and includes text which describes (1) the purpose of the memorandum account in recording all expenses associated with program administration, (2) monthly accounting entries made to track these costs, and (3) the method by which GSW is allowed to recover these costs.

GSW’s proposed Rule 22 (1) defines the program purpose, (2) addresses key word definitions which establish program qualification parameters, (3) defines the program application process, (4) defines shutoff protection parameters, (5) defines program payment arrangement terms and conditions, (6) describes the customer notification process, and (7) describes general program provisions.

NOTICE

Notice of AL 212-E was made by publication in the Commission’s Daily Calendar. GSW states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

No protests were received regarding GSW Advice Letter 212-E.

DISCUSSION

Energy Division has reviewed GSW AL 212-E. We follow with discussion of the relevant facts that lead to our approval of this advice letter with modifications:

GSW's proposed Rule 22 conforms to Section 827 of the Military and Veteran's Code.

GSW's proposed Rule 22 "Military Family Relief Program" for BVES provides (1) a general description of the program, (2) defines key words and terms used to establish qualification criteria, (3) describes the program application process and specifies certain customer-provided documentation items required for submission to the utility in accordance with the Act, (4) defines length and service extension terms of the shutoff protection, (5) specifies payment obligations, minimum payment, length of payment and payment arrangement terms as provided for by the Act, (6) eliminates any charges for interest or late payment fees during the repayment period, (7) discusses recourse against customers who do not observe program terms and conditions, and (8) describes method and frequency of BVES' obligation to notify customers regarding program availability.

GSW's proposed Rule 22 accurately addresses each point of Section 827, and conforms with that section as it pertains to utility requirements. Rule 22 is accurate in communicating parameters and requirements of Section 827 to its customers.

GSW should create two subaccounts in its MFRPMA.

GSW submitted a revision to its Preliminary Statement to include Part Q, "Military Family Relief Program Memorandum Account" (MFRPMA), to track (1) program-related costs associated with implementing this program, and (2) to recover any uncollectible balances that are above and beyond the authorized amount included in rates. The cost components associated with this program are separate in nature and should be accounted for separately. Accordingly, we will require GSW to modify its proposed MFRPMA to create two subaccounts; one to record administrative costs required to implement the program, and a second subaccount to record uncollectible costs associated with the program.

Decision 96-05-033 authorized an uncollectible rate for BVES at 0.381% of annual revenues in its 1996 GRC.

In D.96-05-033, addressing the 1996 GRC for Southern California Water Company's (SCWC) Bear Valley Electric District, the Commission authorized an

uncollectible rate of 0.381% of annual revenues. SCWC was GSW's predecessor. This uncollectible rate has remained in effect for BVES. The uncollectible rate adopted in D.96-05-033 is based on recorded data for the years 1990 and 1991 when SCWC based its bad debt write-off period on 120 days after a customer's past-due account closes. The settlement adopted by D.96-05-033 noted that SCWC had recently returned its policy to the 120-day period. The MFRPMA's uncollectible subaccount should record only those uncollectible revenues that are specifically related to the MFRP. When GSW requests recovery of the amounts associated with this subaccount in a future application, it shall show how those uncollectible amounts specifically resulted from the MFRP, and would not have occurred absent the program.

The Commission shall review the amounts that GSW records to the MFRPMA in GSW's next GRC applicable to BVES, or in another formal proceeding.

This resolution allows GSW to establish the MFRPMA and record costs to the two subaccounts that GSW shall create. In order to recover any costs recorded in either subaccount of the MFRPMA, GSW must request recovery of those costs in a formal proceeding, and not through the advice letter process. GSW may request recovery of costs recorded in the MFRPMA in its next GRC applicable to BVES, or by a separate application if the Commission considers a separate application appropriate for this purpose. Through a decision in that future application, the Commission shall determine whether the costs that GSW records in the MFRPMA are reasonable and may be recovered through rates charged to customers.

The MFRPMA authorized by this resolution will remain in effect until GSW's next GRC applicable to BVES.

The Commission's intent is that after some historical experience and data is available about the utilization and costs of this program, GSW would be in a position to forecast these costs going forward such that these costs could be made part of the GRC revenue requirement. As such, the Commission may eventually find a memorandum account to track MFRP-associated costs unnecessary, and make these expenses recoverable through GSW's future GRCs or separate applications. If GSW wants to continue recording costs to the MFRPMA after its next GRC applicable to BVES, GSW shall request in that GRC that operation of the account be continued. If GSW makes such a request in the next GRC, it shall include testimony describing why MFRP costs cannot be

included in general rates developed in the GRC and provide justification for continuing operation of the account after the GRC is concluded.

The Commission allows operation of the MFRPMA as described in this resolution until the next GRC for BVES; in the next GRC the Commission will consider whether this memorandum account should remain in place, or be eliminated in favor of recovery through the GRC process.

GSW will notify customers about the MFRP and associated eligibility requirements through bill inserts.

GSW will provide customer notification twice-yearly on a six-month cycle, through billing inserts. The first notification will be issued within thirty days of this date. The inserts will include qualification criteria and contact information to complement information available through GSW's tariffs.

COMMENTS

Pursuant to statutory requirement, a draft resolution was issued for comments at least 30 days prior to consideration by the CPUC.

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this draft resolution was mailed for comments on June 20, 2006. No parties submitted comments.

FINDINGS

1. The California Military Families Financial Relief Act was signed into California state law on September 22, 2005 (AB 1666), adding Sections 820 to 828 of the Military and Veterans Code.
2. The Act directs all utilities including electric companies to provide shutoff protection and extended payment terms to the qualified accounts of families or dependents of military personnel while they are called to full-time active military duty.
3. The Act establishes specific terms, conditions, and procedures by which customers qualify for this protection.

4. The Act also allows for public utilities regulated by this Commission to recover reasonable costs incurred in complying with the Act.
5. On March 21, 2006, GSW filed AL 212-E proposing to revise its Preliminary Statement to include Rule 22 describing the Military Family Relief Program and to add Part Q, the "Military Family Relief Program Memorandum Account (MFRPMA) applicable to BVES.
6. GSW proposes to track in the MFRPMA program-related administrative expenses associated with implementing the MFRP, and uncollectible expenses associated with the program.
7. GSW should establish separate subaccounts in the MFRP to track the (1) program-related administrative expenses and (2) uncollectible billing costs.
8. The subaccount that tracks uncollectible billing costs should include a mechanism or calculation that illustrates the extent to which the dollar sum of qualifying MFRP-associated uncollectible accounts are directly a result of the MFRP.
9. The MFRPMA should be operable until the effective date of GSW's next GRC applicable to BVES. GSW should look into the efficacy of using a forecast of future MFRP-associated costs based on historical data that documents program utilization and cost.

THEREFORE IT IS ORDERED THAT:

1. GSW's request to record for recovery the cost of complying with the California Families Financial Relief Act as requested in Advice Letter AL 212-E is approved with modifications.
2. Within 10 days of today's date GSW shall supplement AL 212-E to modify the MFRPMA as follows:
 - GSW shall create two subaccounts to record (1) program-related administrative expenses and (2) uncollectible billing costs plus accrued interest;
 - The last sentence of Preliminary Statement Part Q addressing disposition of amounts recorded to the account shall be replaced with the following: "Disposition of amounts recorded in the MFRPMA shall be determined in a formal proceeding such as the next general rate case applicable to Bear Valley Electric Service, or by separate application filed by GSW as deemed appropriate by the Commission. The MFRPMA shall be operable until the effective date of the first general rate case applicable to

BVES following the effective date of Resolution E-3997, unless extended by the Commission in that general rate case.

3. The supplemental advice letter required by this order shall supplement AL 212-E in its entirety, and shall be effective on the effective date of this resolution.
4. GSW shall seek recovery of amounts recorded in the MFRPMA in its next general rate case applicable to BVES. The Commission shall determine in that proceeding whether such costs are best recovered through the general rate case proceeding or through a separate application.
5. In its application requesting recovery of amounts recorded to the MFRPMA, GSW shall include all workpapers necessary to determine the reasonableness of those amounts.
6. In order to recover in rates amounts recorded to the MFRPMA, GSW shall demonstrate that those amounts resulted directly from the MFRP.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 20, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners